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1 July 2016

## **ASX RELEASE**

### **ERA PUBLISHES FINAL DECISION FOR DBNGP ACCESS ARRANGEMENT**

DUET Group (DUET) notes the attached DBP media release in relation to the Economic Regulation Authority (ERA) of Western Australia's final decision on DBP's proposed revisions to the 2016-2020 Access Arrangement for the Dampier to Bunbury Natural Gas Pipeline (DBNGP).

Key points to note from the ERA's final decision include:

- 6% increase in the total allowed revenue (real) compared to the draft ERA decision issued in December 2015
- 20% increase in total allowed capital expenditure (real) for 2011-15 compared to the draft decision
- 35% increase in total allowed capital expenditure (real) for 2016-20 compared to the draft decision
- 1% increase in total allowed operating expenditure (real) compared to the draft decision

The revised regulatory tariff, which only applies to around 15% of DBP's firm full haul contracted capacity, is effective from 1 July 2016.

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1 July 2016

## **Final Regulatory Decision for the Dampier to Bunbury Natural Gas Pipeline (DBNGP)**

The Economic Regulation Authority (ERA) of Western Australia yesterday released its final decision on DBP's proposed revisions to the 2016-2020 Access Arrangement for the Dampier to Bunbury Natural Gas Pipeline (DBNGP) lodged on 31 December 2014. As the ERA did not approve DBP's proposed revisions the ERA has also issued its own approved revisions. They take effect today.

Less than 15% of DBNGP's firm full haul contracted capacity in the 2016-20 period is subject to the ERA's revised Access Arrangement. As a result of successfully recontracting with its shippers in 2014, DBP has tariff certainty for more than 85% of DBNGP's firm full haul contracted capacity (including Alcoa's exempt contract) until 2020.

The ERA's revised access arrangement results in a 6% increase in the total allowable revenue compared to its draft decision.

DBP's Chief Executive Officer, Mr Stuart Johnston, said that while he is pleased that the ERA has allowed almost 95% of the \$262 million in capital expenditure incurred by DBP since 2011, as well as approving a material uplift in allowed operating and capital expenditure to be incurred over the next access period compared with what was allowed in the Draft Decision, he has concerns with other aspects of the decision.

"While we continue to review the detail in the final decision, the rate of return applied by the ERA is not commensurate with prevailing conditions in the market and the risks involved in providing pipeline services".

Mr Johnston said that it is critical that DBP is allowed to earn an appropriate return on investment to ensure the continued investment in pipeline infrastructure.

Mr Johnston also said that he was disappointed that the final decision did not allow DBP to incur adequate expenditure to deal with the cost of managing the increase in risk to the integrity of the pipeline as a result of Perth's urban sprawl expanding to parts of the pipeline that are not designed for residential land use.

The tables below provide a summary between the ERA's draft decision, DBP's response to that decision and the ERA's final decision on key aspects of DBNGP Access Arrangement.

A copy of the ERA's final decision is available on the ERA's website.

## 2016-2020 DBNGP Access Arrangement Final Decision

### ERA Building Block Summary

Real 2015\$ (\$m)	ERA's Draft Decision (December 2015)	DBP's Revised Proposal (February 2016)	ERA's Final Decision	% Change (Draft – Final)
Return on capital	668	1264	720	8%
Depreciation	479	489	482	1%
Inflationary gains on RAB & over-depreciation	-	(317)	-	-
Operating Expenditure	509	525	515	1%
Tax allowance	10	128	51	430%
<b>Total Revenue</b>	<b>1,666</b>	<b>2,088</b>	<b>1,768</b>	<b>6%</b>

### 2011-15 Capital Expenditure (Capex)

Real 2015\$ (\$m)	ERA's Draft Decision (December 2015)	DBP's Revised Proposal (February 2016)	ERA's Final Decision	% Change (Draft – Final)
Actual stay in business capex	90	144	131	46%
Actual expansion capex	118	117	117	-
<b>Total capital expenditure</b>	<b>207</b>	<b>262</b>	<b>248</b>	<b>20%</b>

### 2016-20 Forecast Capex

Real 2015\$ (\$m)	ERA's Draft Decision (December 2015)	DBP's Revised Proposal (February 2016)	ERA's Final Decision	% Change (Draft – Final)
Forecast stay in business capex (2016-20)	78	107	100	29%
Forecast enhancement capex (2016-20)	-	47	5	-
<b>Total capital expenditure</b>	<b>78</b>	<b>154</b>	<b>105</b>	<b>35%</b>

### Weighted Average Cost of Capital (WACC)

	ERA's Draft Decision (December 2015)	DBP's Revised Proposal (February 2016)	ERA's Final Decision
Return on Equity (%) (nominal post-tax)	7.28	10.84	6.98
Return on Debt (%) (nominal post-tax)	5.18	5.59	5.06
Gearing (%)	60	60	60
<b>Nominal Post-Tax WACC (%)</b>	<b>6.02</b>	<b>7.69</b>	<b>5.83</b>

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